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鞍鋼股份有限公司

ANGANG STEEL COMPANY LIMITED*

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 0347)

ANNOUNCEMENT IN RELATION TO PROVISION FOR IMPAIRMENT OF INVENTORY ASSETS

This announcement is made pursuant to Rule 13.09(2) (a) and Rule 13.10B of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

At the 27th meeting of the ninth session of the board of directors and the 11th meeting of the ninth session of the supervisor committee convened by Angang Steel Company Limited* (the “**Company**”) on 28 March 2024, the Resolution in relation to Provision for Impairment of Inventory Assets was considered and approved. The details are set out as follows:

(I) BASIS OF ACCOUNTING TREATMENT

In accordance with the relevant provisions of the China Accounting Standard for Business Enterprises (“**CASBE**”, as defined in the Listing Rules) 1 – Inventory and the Measures for the Management of Inventories of Angang Steel Company Limited, in order to truly and accurately reflect the financial condition, asset value and operation results of the Company, and based on the principle of prudence,

the Company conducted an impairment test on inventories held by the Company as at 31 December 2023, and made provision for impairment of inventories with indication of impairment, details of which are set out as follows:

Unit: RMB in million

Item	Balance as at the beginning of the period	Increase during the year		Decrease during the year		Balance as at the end of the period	Impact on profit for the year
		Accrual	Reversal or resell	Others			
Provision for impairment of inventories	134	231	128	5	232	131	

(II) CALCULATION METHOD FOR PROVISION FOR IMPAIRMENT LOSS ON INVENTORIES

As at the balance sheet date, the inventories were measured at the lower of cost and net realizable value. If the cost of inventories is higher than the net realizable value, the provision for impairment of the inventories is recognized in profit or loss for the current period. The net realizable value of the inventories is calculated based on reliable evidences obtained, taking into consideration factors including the purposes of holding the inventories and the influences of events subsequent to the balance sheet date.

Finished goods (stocks) are inventory of goods used for direct sales, in which the net realizable value of finished goods (stocks) is calculated as the estimated selling price of the inventory less the estimated selling expenses and related taxes; the net realizable value of the materials requiring processing and inventory of goods in process is calculated as the estimated selling price of the finished goods produced less the estimated costs to be incurred until the completion of processing, the estimated selling expenses and related taxes, details of which are as follows:

- (1) Calculation of impairment of raw materials: Firstly, the stock of iron materials, sintered ores and other raw materials is translated into output of steel billet based on the fixed consumption and processing fees, then the steel billet is allocated to goods in process of various production lines in proportion with the quantity of year-end finished product of the respective production lines, and then the cost of steel billet is allocated to the cost of goods in process of various production lines in proportion with the

cost of the year-end finished product of the respective production lines. Next, the quantity of finished product produced is arrived at based on the yield rate, and the estimated unit cost of the finished products produced is arrived at based on the unit processing cost and scrap steel recycle cost of the continued processing of goods in progress. Finally, the impairment of raw materials is calculated as the difference between the selling price after deducting sales taxes and the estimated unit cost.

- (2) Calculation of impairment of goods in process. The goods in process in the raw materials warehouse, goods in process in the steelmaking line, and the goods in process that have been produced but not yet brought into the warehouse are allocated to various production lines, and the quantity of the finished products for each of the production lines is arrived at based on the yield rate. Then the weighted unit cost of goods in process is arrived at based on the quantity and unit price of goods in process allocated to the raw material warehouse and steelmaking line. Then the estimated unit cost of the finished products produced is calculated based on the actual weighted unit cost of goods in process, the yield rate, unit processing cost, and the quantity and unit price of goods in process that have been physically formed. Finally, the impairment of goods in process is calculated as the difference between the selling price after deducting sales taxes and the estimated unit cost.
- (3) Calculation of impairment of finished products. The unit impairment of finished products is calculated as the difference between the unit price of inventories and the estimated unit selling price for the following month less the actual unit selling expenses, unit taxes, and additional costs for the current month.

(III) IMPAIRMENT

As tested, the Company made provision for impairment loss of inventory assets amounting to RMB131 million for the year 2023.

(IV) IMPACT ON THE COMPANY

The provision for impairment of inventory assets led to a decrease of RMB131 million in both net profit and owners' interest as shown on the consolidated statements of the Company for the year 2023. The Company's provision and reversal of provisions for impairment of inventories is in compliance with the CASBE and relevant policies of the Company, which fairly and objectively reflects the actual situation of the Company's assets, and will not affect the normal operation of the Company.

(V) OPINIONS OF THE BOARD OF DIRECTORS

The provision for impairment of the inventories is based on the principle of prudence, in compliance with the CASBE and in line with the actual situation of the Company's assets. The financial statements for the year 2023 fairly reflect the condition of the assets and operation results of the Company upon the accrual.

(VI) OPINIONS OF THE AUDIT COMMITTEE

The Audit Committee is of the view that the provision for impairment of inventories is based on the principle of prudence, in compliance with the CASBE and in line with the actual situation of the Company's assets. The financial statements for the year 2023 fairly reflect the condition of the assets and operation results of the Company upon the accrual, without prejudice to the legitimate rights and interests of the Company and all shareholders. The Audit Committee approves the submission of the resolution to the board of directors of the Company for consideration.

(VII) REVIEW COMMENTS OF THE SUPERVISORY COMMITTEE

The supervisory committee is of the view that the provision for the impairment loss of the assets of the Company is in compliance with the CASBE and the relevant accounting policies of the Company. The approval process complies with the Articles of Association and the relevant laws and regulations. The basis for the provision is sufficient, and objectively, truly and fairly reflects the condition of the assets of the Company, and it is not materially detrimental to the interests of the Company and its shareholders. The supervisory committee approves the provision for the impairment loss of the assets.

By Order of the Board
ANGANG STEEL COMPANY LIMITED*
Wang Jun
Executive Director and Chairman of the Board

Anshan City, Liaoning Province, the PRC
1 April 2024

As at the date of this announcement, the Board comprises the following directors:

<i>Executive Directors:</i>	<i>Independent Non-executive Directors:</i>
Wang Jun	Feng Changli
Zhang Hongjun	Wang Jianhua
Wang Baojun	Wang Wanglin
Tian Yong	Zhu Keshi

* *For identification purposes only*